

ORIGINAL

# OPEN MEETING



## MEMORANDUM RECEIVED

TO: THE COMMISSION 2008 SEP 30 A 10:13

FROM: Utilities Division AZ CORP COMMISSION  
DOCKET CONTROL

DATE: September 30, 2008

RE: IN THE MATTER OF THE APPLICATION OF TRICO ELECTRIC  
COOPERATIVE, INC. AND TUCSON ELECTRIC POWER COMPANY FOR AN  
ORDER APPROVING A BORDERLINE AGREEMENT (DOCKET NOS.  
E-01461A-08-0112 AND E-01933A-08-0112)

On February 27, 2008, Trico Electric Cooperative, Inc. ("Trico") and Tucson Electric Power Company ("TEP") filed a Joint Application and Borderline Agreement ("Joint Application") for Trico to provide electric service to Rancho Sahuarita Booster Water Reservoir Site and Well Site No. 23 ("Rancho Sahuarita"). Both Trico and TEP are engaged in providing electric service within portions of Pima County, Arizona, pursuant to authority granted by the Arizona Corporation Commission ("Commission").

Rancho Sahuarita's site is located within TEP's certified territory. The original estimated cost to establish the requested three-phase service to Rancho Sahuarita's site by TEP was \$63,152.00. The nearest TEP facilities are more than 3,200 feet from the Rancho Sahuarita property. However, Trico's nearest facilities are 300 feet from the Rancho Sahuarita property. The cost to establish the requested three-phase service to Rancho Sahuarita's site is approximately \$25,862.98 if served by Trico.

Trico's cost to provide the service to the Rancho Sahuarita site was originally reported as \$26,818.04 in the joint application. However, Trico's responses to Staff's First Set of Data Requests report that the cost of serving Rancho Sahuarita's site originally reported in the Joint Application (\$26,818.04) was an error, and that the actual cost would be \$25,862.98 as described above. The original cost for TEP to provide service to the Rancho Sahuarita site was reported as \$63,152.00 in the application. However, TEP later reported the cost to be \$46,194.39. Trico and TEP have entered into a Borderline Agreement which is intended to lessen cost of service by the utility and to the end user. The proposed Borderline Agreement will allow Trico to serve the Rancho Sahuarita site which is in the TEP service territory.

In Section V of the Joint Application, TEP reserves the right to provide electric service to Rancho Sahuarita's site when TEP determines that it is economically feasible to do so. If TEP chooses to exercise the right to serve the Rancho Sahuarita site, TEP will compensate Trico for any Trico facilities used by TEP in order to provide service.

Arizona Corporation Commission

DOCKETED

SEP 30 2008



The Joint Application includes copies of both Trico's and TEP's applicable tariff pages. According to the tariff pages submitted, Trico would serve the Rancho Sahuarita site under the General Service Schedule GS-3. In the Joint Application, TEP provided copies of its GS-10 General Service Pricing Plan. The Rancho Sahuarita site is estimated to have a monthly demand of 489.4 kW for the first five years and a monthly demand of 564.09 kW after five years. Therefore, Staff believes that TEP's GS-13 Large General Service Pricing Plan would be a more appropriate tariff to charge under because it is specifically applicable to customers that have a demand of no less than 200 kW. If TEP serves the Rancho Sahuarita site in the future, the TEP rate should be under the GS-13 Large General Service Pricing Plan or a similar rate in place at that time. Rates under these schedules are as follows:

	TEP Rates GS-13		Trico Rates GS-3
	Summer	Winter	
Monthly Customer Charge	N/A		\$23.00
Monthly Customer Charge (First 200 kW)	\$1,675.88	\$1,675.88	N/A
Per kW Charge	N/A		\$15.88
Per kW Charge (All additional kW)	\$6.52	\$6.52	N/A
Per kWh Charge	\$0.063744	\$0.060556	\$0.06157
Adjustor	N/A		\$0.02 per kWh

Trico has indicated to Staff that the monthly usage at the Rancho Sahuarita property is approximately 117,300 kWh per month for the first five years. After five years, the estimated monthly usage will be 274,500 kWh per month. On June 25, 2008, Staff contacted a representative for Rancho Sahuarita regarding the rate differences between Trico's and TEP's applicable tariff. On September 10, 2008, Staff received a letter from the representative for Rancho Sahuarita which included additional information regarding the costs the customer would have to pay to obtain service from each power company. Rancho Sahuarita estimates that an additional \$900,000 would be paid for sewer, water, drainage, joint utility work, and other costs just to extend power from TEP to the well site. Both TEP and Trico have pending rate case applications before the Commission.

After approximately three or four months of the estimated monthly charges under Trico's GS-3 tariff, the customer will have recovered the difference of approximately \$20,331 between the up-front line extension costs. Under Trico's GS-3 tariff, for the first five years, the estimated monthly charge is approximately \$17,363 compared to the TEP GS-13 tariff's estimated monthly charge of approximately \$11,040 (Summer) and \$10,666 (Winter). After five years, under Trico's GS-3 tariff, the estimated monthly charge will be approximately \$31,371 compared to the TEP GS-13 tariff's estimated monthly charge of approximately \$21,547 (Summer) and \$20,672 (Winter).


Although Trico's monthly rates are higher than TEP's monthly rates, the additional cost of \$900,000 to the customer to obtain service from TEP must also be considered as well as the pending rate case applications of both TEP and Trico. Therefore, Staff believes that the Borderline Agreement between Trico and TEP is a reasonable solution to allow extension of

THE COMMISSION

September 30, 2008

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electric service to the Rancho Sahuarita property and is in the public interest. Rancho Sahuarita has also indicated that it supports the agreement between Trico and TEP. Therefore, Staff recommends that the Commission approve the Borderline Agreement between Trico and TEP. In addition, Staff recommends that TEP be required to notify the Commission prior to exercising its right to provide service to the Rancho Sahuarita Booster Water Reservoir Site and Well Site No. 23. Staff further recommends that the Commission specify in its Order that approval of the Borderline Agreement at this time does not guarantee any future ratemaking treatment of the Borderline Agreement between Trico and TEP.

A handwritten signature in black ink, appearing to read 'E. G. Johnson', with a long horizontal flourish extending to the right.

Ernest G. Johnson  
Director  
Utilities Division

EGJ:CLA:KS:lhmkOT

ORIGINATORS: Candrea Allen and Kiana Sears

1                                   **BEFORE THE ARIZONA CORPORATION COMMISSION**

2       MIKE GLEASON  
          Chairman  
3       WILLIAM A. MUNDELL  
          Commissioner  
4       JEFF HATCH-MILLER  
          Commissioner  
5       KRISTIN K. MAYES  
          Commissioner  
6       GARY PIERCE  
          Commissioner

7  
8       IN THE MATTER OF THE APPLICATION       DOCKET NOS. E-01461A-08-0112  
9       OF TRICO ELECTRIC COOPERATIVE,       E-01933A-08-0112  
10      INC. AND TUCSON ELECTRIC POWER  
11      COMPANY FOR AN ORDER APPROVING       DECISION NO. \_\_\_\_\_  
12      A BORDERLINE AGREEMENT       ORDER

13      Open Meeting  
14      October 15 and 16, 2008  
15      Phoenix, Arizona

16      BY THE COMMISSION:

17                                   FINDINGS OF FACT

- 18           1.       Trico Electric Cooperative, Inc. ("Trico") and Tucson Electric Power Company  
19      ("TEP") are engaged in providing electric service within portions of Arizona, pursuant to authority  
20      granted by the Arizona Corporation Commission ("Commission" or "ACC").  
21           2.       On February 27, 2008, Trico Electric Cooperative, Inc. ("Trico") and Tucson  
22      Electric Power Company ("TEP") filed a Joint Application and Borderline Agreement ("Joint  
23      Application") for Trico to provide electric service to Rancho Sahuarita Booster Water Reservoir  
24      Site and Well Site No. 23 ("Rancho Sahuarita"). Both Trico and TEP are engaged in providing  
25      electric service within portions of Pima County, Arizona, pursuant to authority granted by the  
26      Arizona Corporation Commission ("Commission").  
27           3.       Rancho Sahuarita's site is located within TEP's certified territory. The original  
28      estimated cost to establish the requested three-phase service to Rancho Sahuarita's site by TEP  
      was \$63,152.00. The nearest TEP facilities are more than 3,200 feet from the Rancho Sahuarita

1 property. However, Trico's nearest facilities are 300 feet from the Rancho Sahuarita property.  
2 The cost to establish the requested three-phase service to Rancho Sahuarita's site is approximately  
3 \$25,862.98 if served by Trico.

4 4. Trico's cost to provide the service to the Rancho Sahuarita site was originally  
5 reported as \$26,818.04 in the joint application. However, Trico's responses to Staff's First Set of  
6 Data Requests report that the cost of serving Rancho Sahuarita's site originally reported in the  
7 Joint Application (\$26,818.04) was an error, and that the actual cost would be \$25,862.98 as  
8 described above. The original cost for TEP to provide service to the Rancho Sahuarita site was  
9 reported as \$63,152.00 in the application. However, TEP later reported the cost to be \$46,194.39.  
10 Trico and TEP have entered into a Borderline Agreement which is intended to lessen cost of  
11 service by the utility and to the end user. The proposed Borderline Agreement will allow Trico to  
12 serve the Rancho Sahuarita site which is in the TEP service territory.

13 5. In Section V of the Joint Application, TEP reserves the right to provide electric  
14 service to Rancho Sahuarita's site when TEP determines that it is economically feasible to do so.  
15 If TEP chooses to exercise the right to serve the Rancho Sahuarita site, TEP will compensate Trico  
16 for any Trico facilities used by TEP in order to provide service.

17 6. The Joint Application includes copies of both Trico's and TEP's applicable tariff  
18 pages. According to the tariff pages submitted, Trico would serve the Rancho Sahuarita site under  
19 the General Service Schedule GS-3. In the Joint Application, TEP provided copies of its GS-10  
20 General Service Pricing Plan. The Rancho Sahuarita site is estimated to have a monthly demand  
21 of 489.4 kW for the first five years and a monthly demand of 564.09 kW after five years.  
22 Therefore, Staff believes that TEP's GS-13 Large General Service Pricing Plan would be a more  
23 appropriate tariff to charge under because it is specifically applicable to customers that have a  
24 demand of no less than 200 kW. If TEP serves the Rancho Sahuarita site in the future, the TEP  
25 rate should be under the GS-13 Large General Service Pricing Plan or a similar rate in place at that  
26 time. Rates under these schedules are as follows:

27 ...

28 ...

	TEP Rates GS-13		Trico Rates GS-3
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Per kWh Charge	\$0.063744	\$0.060556	\$0.06157
Adjustor	N/A		\$0.02 per kWh

7. Trico has indicated to Staff that the monthly usage at the Rancho Sahuarita property is approximately 117,300 kWh per month for the first five years. After five years, the estimated monthly usage will be 274,500 kWh per month. On June 25, 2008, Staff contacted a representative for Rancho Sahuarita regarding the rate differences between Trico's and TEP's applicable tariff. On September 10, 2008, Staff received a letter from the representative for Rancho Sahuarita which included additional information regarding the costs the customer would have to pay to obtain service from each power company. Rancho Sahuarita estimates that an additional \$900,000 would be paid for sewer, water, drainage, joint utility work, and other costs just to extend power from TEP to the well site. Both TEP and Trico have pending rate case applications before the Commission.

8. After approximately three or four months of the estimated monthly charges under Trico's GS-3 tariff, the customer will have recovered the difference of approximately \$20,331 between the up-front line extension costs. Under Trico's GS-3 tariff, for the first five years, the estimated monthly charge is approximately \$17,363 compared to the TEP GS-13 tariff's estimated monthly charge of approximately \$11,040 (Summer) and \$10,666 (Winter). After five years, under Trico's GS-3 tariff, the estimated monthly charge will be approximately \$31,371 compared to the TEP GS-13 tariff's estimated monthly charge of approximately \$21,547 (Summer) and \$20,672 (Winter).

9. Although Trico's monthly rates are higher than TEP's monthly rates, the additional cost of \$900,000 to the customer to obtain service from TEP must also be considered as well as the pending rate case applications of both TEP and Trico. Therefore, Staff believes that the Borderline Agreement between Trico and TEP is a reasonable solution to allow extension of electric service

1 to the Rancho Sahuarita property and is in the public interest. Rancho Sahuarita has also indicated  
2 that it supports the agreement between Trico and TEP.

3 10. Therefore, Staff recommends that the Commission approve the Borderline  
4 Agreement between Trico and TEP. In addition, Staff recommends that TEP be required to notify  
5 the Commission prior to exercising its right to provide service to the Rancho Sahuarita Booster  
6 Water Reservoir Site and Well Site No. 23. Staff further recommends that the Commission  
7 specify in its Order that approval of the Borderline Agreement at this time does not guarantee any  
8 future ratemaking treatment of the Borderline Agreement between Trico and TEP.

9 CONCLUSIONS OF LAW

10 1. Trico and TEP are Arizona public service corporations within the meaning of  
11 Article XV, Section 2, of the Arizona Constitution.

12 2. The Commission has jurisdiction over Trico and TEP and over the subject matter of  
13 the Application.

14 3. The Commission, having reviewed the application and Staff's Memorandum dated  
15 September 30, 2008, concludes that it is in the public interest to approve the Borderline Agreement  
16 between Trico and TEP, as discussed herein.

17 ORDER

18 IT IS THEREFORE ORDERED that the Borderline Agreement between Trico Electric  
19 Cooperative, Inc. and Tucson Electric Power Company for service to the Rancho Sahuarita  
20 Booster Water Reservoir Site and Well Site No. 23 is hereby approved as discussed herein.

21 IT IS FURTHER ORDERED that Tucson Electric Power Company notify the Commission  
22 prior to exercising its right to provide service to the Rancho Sahuarita Booster Water Reservoir  
23 Site and Well Site No. 23.

24 ...

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26 ...

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28 ...

1 IT IS FURTHER ORDERED that approval of the Borderline Agreement at this time does  
2 not guarantee any future ratemaking treatment of the Borderline Agreement between Trico Electric  
3 Cooperative, Inc. and Tucson Electric Power Company.

4 IT IS FURTHER ORDERED that this Order shall become effective immediately.

5  
6 **BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION**

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CHAIRMAN

COMMISSIONER

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11 \_\_\_\_\_  
COMMISSIONER

COMMISSIONER

COMMISSIONER

12  
13 IN WITNESS WHEREOF, I, BRIAN C. McNEIL, Executive  
14 Director of the Arizona Corporation Commission, have  
15 hereunto, set my hand and caused the official seal of this  
Commission to be affixed at the Capitol, in the City of  
Phoenix, this \_\_\_\_\_ day of \_\_\_\_\_, 2008.

16  
17 \_\_\_\_\_  
18 BRIAN C. McNEIL  
19 EXECUTIVE DIRECTOR

20 DISSENT: \_\_\_\_\_

21  
22 DISSENT: \_\_\_\_\_

23 EGJ:CLA:KS:lhm\KOT  
24  
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28

1 SERVICE LIST FOR: Trico Electric Cooperative, Inc. and Tucson Electric Power Company  
2 DOCKET NOS. E-01461A-08-0112 and E-01933A-08-0112

3 Mr. Michael J. Bowman  
4 Vice President Development  
5 The Rancho Sahuarita Companies  
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7 Tucson, Arizona 85712

8 Mr. Chuck Wilcox  
9 Right of Way Coordinator  
10 Trico Electric Cooperative, Inc.  
11 8600 West Tangerine Road  
12 Post Office Box 930  
13 Marana, Arizona 85653-0930

14 Mr. David Couture  
15 Tucson Electric Power Company  
16 4350 East Irvington Road  
17 Tucson, Arizona 85702

18 Mr. Ernest G. Johnson  
19 Director, Utilities Division  
20 Arizona Corporation Commission  
21 1200 West Washington Street  
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23 Ms. Janice M. Alward  
24 Chief Counsel, Legal Division  
25 Arizona Corporation Commission  
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